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March 30, 2007

VIA HAND DELIVERY
Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: In the Matter of the Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations
Docket No. 07-00083

Dear Chairman Kyle,

Enclosed are the original and thirteen copies of the Petition of Kentucky Utilities Company for an Order authorizing the issuance of securities and the assumption of obligations and a check for $25.00 for the filing fee. The Company respectfully requests expedited treatment of this Petition in order to allow it to take advantage of lower cost tax-exempt financing. Kentucky Utilities has an opportunity to obtain an allocation of tax-exempt financing from Kentucky's pool for private activity bonds. However, KU's allocation will expire on June 4, 2007. After the Authority has issued its Order in this docket, various actions such as newspaper publications, public hearings and final action by the Carroll County and Trimble County Fiscal Courts, as well as arrangements with underwriters and marketing activities must take place before the Pollution Control Bonds can be issued. **The Company therefore respectfully requests that the Authority issue its Order by May 9, 2007**.

Please contact me if you have any questions or need any additional information.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Kentucky Utilities
Company

DBS:hd

Enclosures

cc: Kendrick R. Riggs, Esq.
John Wade Hendricks, Esq.
Allyson K. Sturgeon, Esq.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In The Matter Of:

THE PETITION OF KENTUCKY UTILITIES COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF SECURITIES AND THE ASSUMPTION OF OBLIGATIONS	)))))	**DOCKET NO. 07-_______**

PETITION

Kentucky Utilities Company ("KU" or the "Company") hereby requests, pursuant to T.C.A. §65-4-109, that the Tennessee Regulatory Authority (the "Authority") authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements and other documents relating thereto as more fully described herein. In support of this Petition, KU states as follows:

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and a Virginia corporation, a utility as defined by T.C.A. §65-4-101, and, as of December 31, 2006, provides retail electric service to five customers in Tennessee, approximately 531,000 customers in seventy-seven counties in Kentucky, and approximately 30,000 customers in five counties in southwest Virginia. A description of KU's properties is set out in Exhibit 1 to this Petition.

2. This Petition relates to two proposed permanent financings for portions of the capital costs of pollution control facilities at two of the Company's generating stations. The first financing is in connection with the Ghent Generating Station in Carroll County, Kentucky. The Carroll County facilities are described in Exhibit 2 hereto. The second financing is in connection

with Trimble County Unit 2 in Trimble County, Kentucky. The Trimble County facilities are described in Exhibit 3 hereto.

3. On March 8, 2007 the Kentucky Private Activity Bond Allocation Committee awarded KU allocations from the state's pool for private activity bonds for both the Carroll County and the Trimble County facilities. The Allocation Committee awarded KU $17,875,814 for use in connection with the Carroll County facilities[1] and $8,927,444 for use in connection with the Trimble County facilities. This will allow a portion of the costs of KU's pollution control projects to be financed on a tax-exempt basis, resulting in lower costs. A comparison of taxable versus tax-exempt financing, as of March 20, 2007, is attached as Exhibit 4.[2]

KU's allocations will expire on June 4, 2007. In order to preserve the availability of this lower cost financing, KU requests that the Authority process this Petition as expeditiously as possible, and **issue its Order by May 9, 2007**.

4. The Company requests authority to (i) assume certain obligations under various agreements in an aggregate principal amount not to exceed $17,875,814 in connection with the proposed issuance of one or more series of Carroll County Environmental Facilities Revenue Bonds (the "Carroll County Bonds"), to be appropriately designated and (ii) assume certain obligations under various agreements in an aggregate principal amount not to exceed $8,927,444 in connection with the proposed issuance of one or more series of Trimble County Environmental Facilities Revenue Bonds (the "Trimble County Bonds"), to be appropriately designated (both the

[1] The Kentucky Private Activity Bond Allocation Committee has previously awarded KU allocations from the state pool for private activity bonds for KU's pollution control project at the Ghent station. There were two allocations (of $16,693,620 each) in 2006, and two allocations (of $13,266,950) in 2005. Those financings were approved by the Authority (Docket No. 06-00248, Order of October 30, 2006, Docket No. 06-00140, Order of June 26, 2006, Docket No. 05-00144, Order of June 20, 2005, and Docket No. 05-00249, Order of October 19, 2005) and those tax-exempt financings subsequently occurred.

[2] While KU applies for tax-exempt financing whenever possible, allocations from the state pool are limited, and not all components of its pollution control projects are even eligible for tax-exempt financing. Thus, as with its other capital projects, KU utilizes funds from all sources, such as debt, including non-tax-exempt debt, equity and cash flow from its electric operations to fund its pollution control projects.

Carroll County Bonds and the Trimble County Bonds, sometimes collectively, the "Pollution Control Bonds"). The proceeds of the Carroll County Bonds and the Trimble County Bonds, would be loaned to KU by Carroll County or Trimble County, as applicable, to provide permanent financing for a portion of the pollution control facilities described herein.

In connection with the Pollution Control Bonds, KU would assume certain obligations under one or more loan agreements with Carroll County, Kentucky, and Trimble County, Kentucky, respectively, and may enter into one or more guaranty agreements, bond insurance agreements and other similar undertakings guaranteeing repayment of all or any part of the obligations under one or more series of the Pollution Control Bonds for the benefit of the holders of such bonds.

5. Carroll County and Trimble County each have the power, pursuant to the provisions of the Industrial Building Revenue Bond Act, Sections 103.200 to 103.285 inclusive, of the Kentucky Revised Statutes, to enter into the transactions contemplated by the Loan Agreements (as hereinafter defined) and to carry out their obligations thereunder by issuing and selling negotiable Pollution Control Bonds and lending the proceeds from the sale of such Pollution Control Bonds to KU to finance the acquisition, construction and installation of certain pollution control facilities, within the respective corporate limits of each county.

6. The structure and documentation for the issuance of the Pollution Control Bonds and related agreements will be similar to that in other recent pollution control financings of KU approved by the Authority, except that First Mortgage Bonds will not be used.

7. The Pollution Control Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between Carroll County and the Trustee under such Indenture(s) or Trimble County and the Trustee, as applicable. The proceeds from the sale of the Pollution Control Bonds

would be loaned to KU pursuant to one or more loan agreements between Carroll County and KU or Trimble County and KU (collectively, the "Loan Agreements").

The payments to be made by KU under the Loan Agreements for one or more series of Pollution Control Bonds, together with other funds available for the purpose, would be required to be sufficient to pay the principal and interest on such Pollution Control Bonds. The Loan Agreement and the payments to be made by KU pursuant thereto will be assigned to the Trustee(s) to secure the payment of the principal and interest on the related Pollution Control Bonds. Upon issuance of a series of Pollution Control Bonds, KU may issue one or more guarantees (collectively, the "Guarantees"), in favor of the Trustee(s) guaranteeing repayment of all or any part of the obligations under such Pollution Control Bonds for the benefit of the holders of such Pollution Control Bonds.

8. The Pollution Control Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Pollution Control Bonds (including, in the event all or a portion of the Pollution Control Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between KU, and Carroll County or Trimble County, as applicable, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed two percent (2%) of the principal amount of the Pollution Control Bonds of each series to be sold. Based upon past experience with similar financings, KU estimates that bond insurance and issuance costs, excluding underwriting fees, will be approximately $660,000. KU expects to apply all proceeds of the Pollution Control Bonds to the payment of the capital costs of the financed pollution control facilities and to pay such costs of issuance of the Pollution Control Bonds from other funds.

9. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Pollution Control Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by KU, including issuance of auction mode Pollution Control Bonds, which may be coupled with bond insurance. KU would reserve the option to convert any variable rate Pollution Control Bonds at a later date to other interest rate modes, including a fixed rate of interest. Pollution Control Bonds that bear interest at a variable rate (the "Variable Rate Pollution Control Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Pollution Control Bonds, KU would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Pollution Control Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Pollution Control Bonds, which will be 100% of the par amount of such Variable Rate Pollution Control Bonds. Thus, to the extent Variable Rate Pollution Control Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate.

10. Also, in the event that Variable Rate Pollution Control Bonds are issued, KU may enter into one or more liquidity facilities (the "Current Facility") with a bank or banks to be selected by KU (the "Bank"). The Current Facility would be a credit agreement designed to provide KU with immediately available funds with which to make payments with respect to any Variable Rate Pollution Control Bonds that have been tendered for purchase and are not remarketed. The Current Facility may, but is not expected to be pledged for the payment of the Variable Rate Pollution Control Bonds or to constitute security thereof. The Current Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Current Facility, KU may be

required to execute and deliver to the Bank a note (the "Current Facility Note") evidencing KU's obligation to the Bank under the Current Facility.

In order to obtain terms and conditions more favorable to KU than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Pollution Control Bonds, KU may desire to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instrument providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, is hereinafter referred to as a "Facility") with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Pollution Control Bonds. It is contemplated that, in the event the Variable Rate Pollution Control Bonds are converted to bear interest at a fixed rate to maturity, the Current Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated in whole or in part following the date of conversion of such series of Variable Rate Pollution Control Bonds. The estimated cost of the financing shown in Section 8 does not include expenses incurred for entering into any Facility; however the impact on the overall cost of the financing would be approximately 25 basis points. Entering into a Facility would eliminate the need for bond insurance which was included in Section 8.

11. In connection with any Facility, KU may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such Facility, which

would contain the terms of reimbursement or payment to be made by KU to the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing KU's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Pollution Control Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Pollution Control Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Pollution Control Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

12. In connection with the issuance of the Pollution Control Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the "Hedging Facility") with a bank or financial institution (the "Counterparty"). The Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Pollution Control Bonds. The Hedging Facility will set forth the specific terms for which KU will agree to pay the Counterparty payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the financing does not include the costs of any Hedging Facility, which would be determined at the time of the hedge. However, based on current market conditions, the cost of a 3-year hedge would be approximately -8 basis points indicating that the market expects a decline in short-term rates.

The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counterparty, and would be the most favorable terms that can be negotiated by KU. The aggregate outstanding principal amount of the obligations of KU at any time under the Loan Agreements, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Pollution Control Bonds (which will not exceed an aggregate principal amount of $26,803,258, which is the sum of the Carroll County Bonds and Trimble County Bonds) plus accrued but unpaid interest and premium, if any, on such bonds.

13. No contracts have been made for the disposition of any of the securities which KU proposes to issue.

14. Exhibit 5 to this Petition contains copies of the Carroll County Fiscal Court Resolutions authorizing issuance of the Carroll County Environmental Facilities Revenue Bonds, as well as a copy of the Memorandum of Agreement between Carroll County and KU.

15. Exhibit 6 to this Petition contains copies of the Trimble County Fiscal Court Resolutions authorizing issuance of the Trimble County Environmental Facilities Revenue Bonds, as well as a copy of the Memorandum of Agreement between Trimble County and KU.

16. KU shall, as soon as reasonably practicable after the issuance of the Pollution Control Bonds referred to herein, file with the Authority a statement setting forth the date or dates of issuance of the securities, the price paid therefore, the interest rate(s) (and if applicable their method of determination), and all fees and expenses including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

17. Exhibit 7 to this Petition contains the financial information in support of the Petition.

18. Exhibit 8 to this Petition is a certified copy of KU's Board of Directors' resolutions authorizing the proposed Pollution Control Bond transactions in connection with the Company's Ghent Generating Station and Trimble County pollution control projects.

19. Correspondence or communications pertaining to this Petition should be directed to:

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500 West Jefferson Street
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Allyson K. Sturgeon, Attorney
E.ON U.S., LLC
220 West Main Street
Louisville, KY 40202

20. In order to take advantage of the opportunity to finance portions of its pollution control projects with tax-exempt debt, the Company plans for the securities to be issued as quickly as possible. Pursuant to regulation 200 KAR 15:010, the Pollution Control Bonds must be issued within 90 days of the date that the Kentucky Private Activity Bond Allocation Committee made its allocation to KU, in other words, prior to June 4, 2007. After the Authority has issued its Order in this case, various actions such as newspaper publications, public hearings and final action by the Carroll County and Trimble County Fiscal Courts, as well as arrangements with underwriters and marketing activities must take place before the Pollution Control Bonds can be issued. Therefore, the Company respectfully requests that the Authority process this Petition as expeditiously as

possible both to afford the Company maximum flexibility in connection with this financing and to ensure that this opportunity to secure scarce Private Activity Bond allocation of the state cap is not lost, and further **requests that the Authority issue its Order by May 9, 2007**.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Authority enter its Order, authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreements and any Remarketing Agreements, and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes set forth in this Petition. Kentucky Utilities Company further requests that the Order of the Authority specifically include provisions stating:

1. KU is authorized to execute, deliver and perform its obligations under the Loan Agreements with Carroll County, Kentucky and Trimble County, Kentucky and under any guarantees, remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, credit agreements and such other agreements and documents as set forth in its Petition, and to perform the transactions contemplated by all such agreements.

2. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the Petition.

3. KU shall agree only to such terms and prices that are consistent with the parameters set out in its Petition.

4. KU shall, within 30 days from the date of issuance, file with the Authority a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions, or other compensation, involved in the issuance and distribution thereof. In addition, KU shall include a detailed explanation as to how the interest rate alternative chosen represents the most reasonable interest rate available at the time of issuance. The explanation shall

include a description of the specific interest rate management techniques and interest rate management agreements used by KU for each issuance, as well as copies of any executed interest rate management agreements. If a variable rate is chosen, KU shall file a detailed description of the criteria to be periodically applied in determining whether the variable rate should be converted to a fixed rate.

Respectfully submitted,

Kentucky Utilities Company

By: D. Billye Sanders

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220 West Main Street
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Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Daniel K. Arbough being first duly sworn, deposes and says that he is Director, Corporate Finance and Treasurer for Kentucky Utilities Company, that he has read the foregoing Petition and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.

Daniel K. Arbough

DANIEL K. ARBOUGH

Subscribed and sworn before me this 29th day of March 2007

My Commission Expires: August 31, 2007

Rhonda J. Anderson

NOTARY PUBLIC, STATE AT LARGE

1414653.3

EXHIBIT 1

KENTUCKY UTILITIES COMPANY

A DESCRIPTION OF PETITIONER'S PROPERTY, INCLUDING A STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY AND THE COST THEREOF TO PETITIONER

December 31, 2006

The Petitioner owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,934 Mw; a hydroelectric generating station having an estimated total effective capability of about 24 Mw; and seventeen gas/oil peaking units having an estimated total effective capability of about 1,499 Mw.

The Petitioner's owned electric transmission system includes 110 substations (36 of which are shared with the distribution system) with a total capacity of approximately 16,978 Mva and approximately 4,031 miles of lines. The electric distribution system includes 480 substations with a total capacity of approximately 6,180 Mva, 13,805 miles of overhead lines, and 1,881 miles of underground conduit.

Other properties include office buildings, service centers, warehouses, garages, and other structures and equipment.

The net original cost of the property and cost thereof to the Petitioner at December 31, 2006, was:

		Utility Plant
Original Cost		
Intangible Plant	$	25,650,658
Production Plant		2,028,546,090
Transmission Plant		506,489,863
Distribution Plant		1,013,864,109
General Plant		82,323,414
Transportation Plant		23,860,353
Construction Work in Progress		487,243,640
Total Plant at Original Cost	$	4,167,978,127
Less Reserve for Depreciation		1,850,012,155
Net Original Cost	$	2,317,965,972

KENTUCKY UTILITIES COMPANY

GHENT GENERATING STATION

The Project includes components, systems and projects for the collection, storage, treatment, processing and final disposal of solid wastes. The Project facilities will be located at the Company's Ghent Generating Station in Carroll County, Kentucky and may include, but are not limited to:

1. Facilities for the collection, processing and disposal of solid waste calcium sulfite byproducts created by environmentally required flue gas desulfurization facilities. The Project facilities include complete new solid waste collection, processing and disposal facilities to serve the generating units of the Ghent Station, including, among other things, the necessary SO_2 absorber reaction tank, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, dewatering system, conveyors and related facilities, related mechanical and electrical auxiliaries, tanks, associated site improvements and related structures, to collect, process and dispose of solid wastes, including piping for the disposal of slurried solid wastes to solid waste disposal dumps.

2. Project facilities which are functionally related and subordinate to the facilities described in Section 1.

KENTUCKY UTILITIES COMPANY

TRIMBLE COUNTY GENERATING STATION, UNIT 2

The Project solid waste disposal facilities include components, systems and projects for the collection, storage, treatment, processing and/or final disposal of solid wastes produced by the Trimble County Generating Station, Unit 2. The Project facilities are located or will be located at or in proximity to the Company's Trimble Generating Station, Unit 2, in Trimble County, Kentucky and will include, but are not limited to:

1. Scrubber sludge processing and disposal facilities to collect, treat and dispose of scrubber solid wastes. Operation of flue gas desulphurization facilities produces solid waste sludges composed of impure calcium sulfite and sulfate. These solid waste products are collected, stabilized and then conveyed by slurry lines to solid waste disposal landfills or otherwise disposal of in accordance with applicable law. Facilities include the processing of waste calcium sulfite byproducts from flue gas desulfurization into impure calcium sulfite and sulfate for disposal. The Project facilities include among other things, the necessary SO_2 absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, conveyors, slurry lines and related facilities, including related mechanical and electrical auxiliaries, tanks, associated site improvements, solid waste landfills and ponds and related structures and facilities.

2. Bottom ash and flyash collection and disposal facilities. Additional solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, possible landfill expansion and other solid waste collection, processing and disposal facilities will be required. These facilities may in final design, include vacuum or water sluce conveyances for sending flyash, a solid waste, collected by electrostatic precipitators to holding silos and waste disposal ash ponds, which receive flyash and bottom ash. Bottom ash from the Unit 2 generator may be removed to a holding facility by drag chain mechanisms for hauling to landfill solid waste ponds. A new ash pond will be constructed in the future.

3. Project facilities which are functionally related and subordinate to the proposed new and existing solid waste facilities.

4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste, which, because of changes in technology, cost, solid waste plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.

KENTUCKY UTILITIES
Debt Analysis

Kentucky Utilities $26.8MM
Comparison: Tax Exempt Floating vs Taxable Floating (Intercompany)
Impact on Cash Flow

PROPOSED FINANCING

PRESENT VALUE ANALYSIS

TAX EXEMPT POLLUTION CONTROL BONDS

Comparison: Tax Exempt Floating vs Taxable Floating (Intercompany)

Date	Principal Outstanding	Interest @ 2.920%	Debt Expense Amortization	Issue Expenses	Taxes	Total Cash Outlay	Present Value	Interest @ 3.860%	Debt Expense Amortization (1)	Call Premium	Issue Expenses[3]	Taxes (2)	Total Cash Outlay	Present Value	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Jun-07	$ 26,803,258			$0		$0				$0	$0		$0		$0	1.0000	$0
01-Dec-07	26,803,258	391,328	11,011		(162,394)	228,934	226,343	517,303				(208,796)	308,507	305,018	(79,573)	0.9887	(78,672)
01-Jun-08	26,803,258	391,328	11,011		(162,394)	228,934	223,782	517,303				(208,796)	308,507	301,564	(79,573)	0.9775	(77,782)
01-Dec-08	26,803,258	391,328	11,011		(162,394)	228,934	221,250	517,303				(208,796)	308,507	298,152	(79,573)	0.9664	(76,902)
01-Jun-09	26,803,258	391,328	11,011		(162,394)	228,934	218,747	517,303				(208,796)	308,507	294,779	(79,573)	0.9555	(76,032)
01-Dec-09	26,803,258	391,328	11,011		(162,394)	228,934	216,271	517,303				(208,796)	308,507	291,443	(79,573)	0.9447	(75,172)
01-Jun-10	26,803,258	391,328	11,011		(162,394)	228,934	213,824	517,303				(208,796)	308,507	288,146	(79,573)	0.9340	(74,321)
01-Dec-10	26,803,258	391,328	11,011		(162,394)	228,934	211,405	517,303				(208,796)	308,507	284,885	(79,573)	0.9234	(73,480)
01-Jun-11	26,803,258	391,328	11,011		(162,394)	228,934	209,013	517,303				(208,796)	308,507	281,662	(79,573)	0.9130	(72,649)
01-Dec-11	26,803,258	391,328	11,011		(162,394)	228,934	206,648	517,303				(208,796)	308,507	278,475	(79,573)	0.9027	(71,827)
01-Jun-12	26,803,258	391,328	11,011		(162,394)	228,934	204,310	517,303				(208,796)	308,507	275,324	(79,573)	0.8924	(71,014)
01-Dec-12	26,803,258	391,328	11,011		(162,394)	228,934	201,998	517,303				(208,796)	308,507	272,208	(79,573)	0.8823	(70,210)
01-Jun-13	26,803,258	391,328	11,011		(162,394)	228,934	199,712	517,303				(208,796)	308,507	269,128	(79,573)	0.8724	(69,416)
01-Dec-13	26,803,258	391,328	11,011		(162,394)	228,934	197,452	517,303				(208,796)	308,507	266,083	(79,573)	0.8625	(68,631)
01-Jun-14	26,803,258	391,328	11,011		(162,394)	228,934	195,218	517,303				(208,796)	308,507	263,072	(79,573)	0.8527	(67,854)
01-Dec-14	26,803,258	391,328	11,011		(162,394)	228,934	193,009	517,303				(208,796)	308,507	260,096	(79,573)	0.8431	(67,086)
01-Jun-15	26,803,258	391,328	11,011		(162,394)	228,934	190,825	517,303				(208,796)	308,507	257,153	(79,573)	0.8335	(66,327)
01-Dec-15	26,803,258	391,328	11,011		(162,394)	228,934	188,666	517,303				(208,796)	308,507	254,243	(79,573)	0.8241	(65,577)
01-Jun-16	26,803,258	391,328	11,011		(162,394)	228,934	186,532	517,303				(208,796)	308,507	251,366	(79,573)	0.8148	(64,835)
01-Dec-16	26,803,258	391,328	11,011		(162,394)	228,934	184,421	517,303				(208,796)	308,507	248,522	(79,573)	0.8056	(64,101)
01-Jun-17	26,803,258	391,328	11,011		(162,394)	228,934	182,334	517,303				(208,796)	308,507	245,710	(79,573)	0.7964	(63,376)
01-Dec-17	26,803,258	391,328	11,011		(162,394)	228,934	180,271	517,303				(208,796)	308,507	242,930	(79,573)	0.7874	(62,659)
01-Jun-18	26,803,258	391,328	11,011		(162,394)	228,934	178,231	517,303				(208,796)	308,507	240,181	(79,573)	0.7785	(61,950)
01-Dec-18	26,803,258	391,328	11,011		(162,394)	228,934	176,215	517,303				(208,796)	308,507	237,463	(79,573)	0.7697	(61,249)
01-Jun-19	26,803,258	391,328	11,011		(162,394)	228,934	174,221	517,303				(208,796)	308,507	234,776	(79,573)	0.7610	(60,556)
01-Dec-19	26,803,258	391,328	11,011		(162,394)	228,934	172,249	517,303				(208,796)	308,507	232,120	(79,573)	0.7524	(59,871)
01-Jun-20	26,803,258	391,328	11,011		(162,394)	228,934	170,300	517,303				(208,796)	308,507	229,493	(79,573)	0.7439	(59,193)
01-Dec-20	26,803,258	391,328	11,011		(162,394)	228,934	168,373	517,303				(208,796)	308,507	226,897	(79,573)	0.7355	(58,523)
01-Jun-21	26,803,258	391,328	11,011		(162,394)	228,934	166,468	517,303				(208,796)	308,507	224,329	(79,573)	0.7271	(57,861)
01-Dec-21	26,803,258	391,328	11,011		(162,394)	228,934	164,585	517,303				(208,796)	308,507	221,791	(79,573)	0.7189	(57,206)
01-Jun-22	26,803,258	391,328	11,011		(162,394)	228,934	162,722	517,303				(208,796)	308,507	219,281	(79,573)	0.7108	(56,559)
01-Dec-22	26,803,258	391,328	11,011		(162,394)	228,934	160,861	517,303				(208,796)	308,507	216,800	(79,573)	0.7027	(55,919)
01-Jun-23	26,803,258	391,328	11,011		(162,394)	228,934	159,061	517,303				(208,796)	308,507	214,347	(79,573)	0.6948	(55,286)
01-Dec-23	26,803,258	391,328	11,011		(162,394)	228,934	157,261	517,303				(208,796)	308,507	211,922	(79,573)	0.6869	(54,661)
01-Jun-24	26,803,258	391,328	11,011		(162,394)	228,934	155,482	517,303				(208,796)	308,507	209,524	(79,573)	0.6792	(54,042)
01-Dec-24	26,803,258	391,328	11,011		(162,394)	228,934	153,722	517,303				(208,796)	308,507	207,153	(79,573)	0.6715	(53,431)
01-Jun-25	26,803,258	391,328	11,011		(162,394)	228,934	151,983	517,303				(208,796)	308,507	204,809	(79,573)	0.6639	(52,826)
01-Dec-25	26,803,258	391,328	11,011		(162,394)	228,934	150,263	517,303				(208,796)	308,507	202,492	(79,573)	0.6564	(52,229)
01-Jun-26	26,803,258	391,328	11,011		(162,394)	228,934	148,563	517,303				(208,796)	308,507	200,201	(79,573)	0.6489	(51,638)
01-Dec-26	26,803,258	391,328	11,011		(162,394)	228,934	146,882	517,303				(208,796)	308,507	197,935	(79,573)	0.6416	(51,053)
01-Jun-27	26,803,258	391,328	11,011		(162,394)	228,934	145,220	517,303				(208,796)	308,507	195,696	(79,573)	0.6343	(50,476)
01-Dec-27	26,803,258	391,328	11,011		(162,394)	228,934	143,577	517,303				(208,796)	308,507	193,481	(79,573)	0.6272	(49,905)
01-Jun-28	26,803,258	391,328	11,011		(162,394)	228,934	141,952	517,303				(208,796)	308,507	191,292	(79,573)	0.6201	(49,340)
01-Dec-28	26,803,258	391,328	11,011		(162,394)	228,934	140,348	517,303				(208,796)	308,507	189,128	(79,573)	0.6130	(48,782)
01-Jun-29	26,803,258	391,328	11,011		(162,394)	228,934	138,758	517,303				(208,796)	308,507	186,988	(79,573)	0.6061	(48,230)
01-Dec-29	26,803,258	391,328	11,011		(162,394)	228,934	137,188	517,303				(208,796)	308,507	184,872	(79,573)	0.5992	(47,684)
01-Jun-30	26,803,258	391,328	11,011		(162,394)	228,934	135,636	517,303				(208,796)	308,507	182,780	(79,573)	0.5925	(47,144)
01-Dec-30	26,803,258	391,328	11,011		(162,394)	228,934	134,101	517,303				(208,796)	308,507	180,712	(79,573)	0.5858	(46,611)
01-Jun-31	26,803,258	391,328	11,011		(162,394)	228,934	132,584	517,303				(208,796)	308,507	178,667	(79,573)	0.5791	(46,083)
01-Dec-31	26,803,258	391,328	11,011		(162,394)	228,934	131,083	517,303				(208,796)	308,507	176,645	(79,573)	0.5726	(45,562)
01-Jun-32	26,803,258	391,328	11,011		(162,394)	228,934	129,600	517,303				(208,796)	308,507	174,647	(79,573)	0.5661	(45,046)
01-Dec-32	26,803,258	391,328	11,011		(162,394)	228,934	128,134	517,303				(208,796)	308,507	172,671	(79,573)	0.5597	(44,537)
01-Jun-33	26,803,258	391,328	11,011		(162,394)	228,934	126,684	517,303				(208,796)	308,507	170,717	(79,573)	0.5534	(44,033)
01-Dec-33	26,803,258	391,328	11,011		(162,394)	228,934	125,251	517,303				(208,796)	308,507	168,785	(79,573)	0.5471	(43,535)
01-Jun-34	26,803,258	391,328	11,011		(162,394)	228,934	123,833	517,303				(208,796)	308,507	166,875	(79,573)	0.5409	(43,042)
01-Dec-34	26,803,258	391,328	11,011		(162,394)	228,934	122,432	517,303				(208,796)	308,507	164,987	(79,573)	0.5348	(42,555)
01-Jun-35	26,803,258	391,328	11,011		(162,394)	228,934	121,047	517,303				(208,796)	308,507	163,120	(79,573)	0.5287	(42,073)
01-Dec-35	26,803,258	391,328	11,011		(162,394)	228,934	119,877	517,303				(208,796)	308,507	161,275	(79,573)	0.5228	(41,597)
01-Jun-36	26,803,258	391,328	11,011		(162,394)	228,934	118,323	517,303				(208,796)	308,507	159,450	(79,573)	0.5168	(41,127)
01-Dec-36	26,803,258	391,328	11,011		(162,394)	228,934	116,984	517,303				(208,796)	308,507	157,646	(79,573)	0.5110	(40,661)
01-Jun-37	26,803,258	391,328	11,011		(162,394)	228,934	115,660	517,303				(208,796)	308,507	155,862	(79,573)	0.5052	(40,201)
TOTAL		$23,479,854	$660,661	$0	($9,743,635)	$13,736,019		$31,038,173	$0	$0	$0	($12,527,782)	$18,510,390		($4,774,371)		($3,440,200)
NPV							9,897,567							13,337,767			

(1) Debt Amortization Expense includes issuing costs of new series
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.
(3) Issuance expense for Fidelia loans are relatively immaterial (Less than $50,000)

Exhibit 4
Page 1 of 4

Assumptions

Kentucky Utilities $26.8MM
Comparison: Tax Exempt Floating vs Taxable Floating (Intercompany)
Assumptions

Tax Exempt Bond

	2.920%	$	26,803,258	Matures July 1, 2037

Unamortized Debt Expense: $660,661 At July 1, 2007
Remaining amortization period

From July 1, 2007 to Maturity	360.0	months
Assuming a 30 Year Extension	360.0	months

Redemption (Call) Price: 0%
Amount of Premium: $0

Cost of Funds (Lost Investment Earnings): 5.00%

Taxable Fidelia Loan

	3.860%	$	26,803,258	Matures July 1, 2037

Bond Issue Costs			2.46%
Underwriting		0.00%	
Bond Counsel	$	80,000.00	0.30%
Company Counse	$	70,000.00	0.26%
Underwriters Cour	$	41,341.64	0.15%
Insurance	$	375,533.75	1.40%
Ratings	$	40,000.00	0.15%
Printing	$	4,785.61	0.02%
Trustee Counsel	$	3,000.00	0.01%
Accountants	$	40,000.00	0.15%
Trustee	$	6,000.00	0.02%
FMB Trustee	$	-	0.00%
AMT			0.00%
Issuance costs			2.46%

Insurance Premium Calculation	
Par	26,803,258
RBI Coupon	4.65%
Annual	1,246,351
30 Years	37,390,545
Total Debt Serv.	64,193,803
Premium Rate	0.59%
Premium	375,534

Remarketing Expens (O&M Expense) 67,008

MISCELLANEOUS

Tax rate	40.363%	0
Discount rate	2.30%	

KENTUCKY UTILITIES
Debt Analysis

Kentucky Utilities $26.8MM
Comparison: Tax Exempt Synthetic Fixed vs. Taxable Fixed at Fidelia
Impact on Cash Flow

TAX EXEMPT POLLUTION CONTROL BONDS | PROPOSED FINANCING — Comparison: Tax Exempt Synthetic Fixed vs. Taxable Fixed at Fidelia | PRESENT VALUE ANALYSIS

Date	Principal Outstanding	Interest @ 3.920%	Debt Expense Amortization	Issue Expenses	Taxes	Total Cash Outlay	Present Value	Interest @ 5.590%	Debt Expense Amortization (1)	Call Premium	Issue Expenses[3]	Taxes (2)	Total Cash Outlay	Present Value	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Jun-07	$ 26,803,258			$0		$0				$0	$0		$0		$0	1.0000	$0
01-Dec-07	26,803,258	525,344	12,575		(217,117)	308,227	303,214	749,151				(302,376)	446,775	439,509	(138,548)	0.9837	(136,295)
01-Jun-08	26,803,258	525,344	12,575		(217,117)	308,227	298,283	749,151				(302,376)	446,775	432,361	(138,548)	0.9677	(134,079)
01-Dec-08	26,803,258	525,344	12,575		(217,117)	308,227	293,432	749,151				(302,376)	446,775	425,330	(138,548)	0.9520	(131,898)
01-Jun-09	26,803,258	525,344	12,575		(217,117)	308,227	288,659	749,151				(302,376)	446,775	418,412	(138,548)	0.9365	(129,753)
01-Dec-09	26,803,258	525,344	12,575		(217,117)	308,227	283,965	749,151				(302,376)	446,775	411,608	(138,548)	0.9213	(127,643)
01-Jun-10	26,803,258	525,344	12,575		(217,117)	308,227	279,347	749,151				(302,376)	446,775	404,914	(138,548)	0.9063	(125,567)
01-Dec-10	26,803,258	525,344	12,575		(217,117)	308,227	274,804	749,151				(302,376)	446,775	398,328	(138,548)	0.8916	(123,525)
01-Jun-11	26,803,258	525,344	12,575		(217,117)	308,227	270,335	749,151				(302,376)	446,775	391,850	(138,548)	0.8771	(121,516)
01-Dec-11	26,803,258	525,344	12,575		(217,117)	308,227	265,938	749,151				(302,376)	446,775	385,478	(138,548)	0.8628	(119,540)
01-Jun-12	26,803,258	525,344	12,575		(217,117)	308,227	261,613	749,151				(302,376)	446,775	379,209	(138,548)	0.8488	(117,596)
01-Dec-12	26,803,258	525,344	12,575		(217,117)	308,227	257,358	749,151				(302,376)	446,775	373,041	(138,548)	0.8350	(115,683)
01-Jun-13	26,803,258	525,344	12,575		(217,117)	308,227	253,173	749,151				(302,376)	446,775	366,975	(138,548)	0.8214	(113,802)
01-Dec-13	26,803,258	525,344	12,575		(217,117)	308,227	249,056	749,151				(302,376)	446,775	361,006	(138,548)	0.8080	(111,951)
01-Jun-14	26,803,258	525,344	12,575		(217,117)	308,227	245,005	749,151				(302,376)	446,775	355,135	(138,548)	0.7949	(110,130)
01-Dec-14	26,803,258	525,344	12,575		(217,117)	308,227	241,021	749,151				(302,376)	446,775	349,360	(138,548)	0.7820	(108,339)
01-Jun-15	26,803,258	525,344	12,575		(217,117)	308,227	237,101	749,151				(302,376)	446,775	343,678	(138,548)	0.7692	(106,577)
01-Dec-15	26,803,258	525,344	12,575		(217,117)	308,227	233,245	749,151				(302,376)	446,775	338,089	(138,548)	0.7567	(104,844)
01-Jun-16	26,803,258	525,344	12,575		(217,117)	308,227	229,451	749,151				(302,376)	446,775	332,590	(138,548)	0.7444	(103,139)
01-Dec-16	26,803,258	525,344	12,575		(217,117)	308,227	225,720	749,151				(302,376)	446,775	327,181	(138,548)	0.7323	(101,462)
01-Jun-17	26,803,258	525,344	12,575		(217,117)	308,227	222,049	749,151				(302,376)	446,775	321,860	(138,548)	0.7204	(99,811)
01-Dec-17	26,803,258	525,344	12,575		(217,117)	308,227	218,438	749,151				(302,376)	446,775	316,626	(138,548)	0.7087	(98,188)
01-Jun-18	26,803,258	525,344	12,575		(217,117)	308,227	214,885	749,151				(302,376)	446,775	311,477	(138,548)	0.6972	(96,591)
01-Dec-18	26,803,258	525,344	12,575		(217,117)	308,227	211,391	749,151				(302,376)	446,775	306,411	(138,548)	0.6858	(95,020)
01-Jun-19	26,803,258	525,344	12,575		(217,117)	308,227	207,953	749,151				(302,376)	446,775	301,428	(138,548)	0.6747	(93,475)
01-Dec-19	26,803,258	525,344	12,575		(217,117)	308,227	204,571	749,151				(302,376)	446,775	296,526	(138,548)	0.6637	(91,955)
01-Jun-20	26,803,258	525,344	12,575		(217,117)	308,227	201,244	749,151				(302,376)	446,775	291,703	(138,548)	0.6529	(90,459)
01-Dec-20	26,803,258	525,344	12,575		(217,117)	308,227	197,971	749,151				(302,376)	446,775	286,959	(138,548)	0.6423	(88,988)
01-Jun-21	26,803,258	525,344	12,575		(217,117)	308,227	194,751	749,151				(302,376)	446,775	282,292	(138,548)	0.6318	(87,541)
01-Dec-21	26,803,258	525,344	12,575		(217,117)	308,227	191,584	749,151				(302,376)	446,775	277,701	(138,548)	0.6216	(86,117)
01-Jun-22	26,803,258	525,344	12,575		(217,117)	308,227	188,468	749,151				(302,376)	446,775	273,185	(138,548)	0.6115	(84,717)
01-Dec-22	26,803,258	525,344	12,575		(217,117)	308,227	185,403	749,151				(302,376)	446,775	268,742	(138,548)	0.6015	(83,339)
01-Jun-23	26,803,258	525,344	12,575		(217,117)	308,227	182,388	749,151				(302,376)	446,775	264,372	(138,548)	0.5917	(81,984)
01-Dec-23	26,803,258	525,344	12,575		(217,117)	308,227	179,422	749,151				(302,376)	446,775	260,072	(138,548)	0.5821	(80,650)
01-Jun-24	26,803,258	525,344	12,575		(217,117)	308,227	176,504	749,151				(302,376)	446,775	255,842	(138,548)	0.5726	(79,339)
01-Dec-24	26,803,258	525,344	12,575		(217,117)	308,227	173,633	749,151				(302,376)	446,775	251,682	(138,548)	0.5633	(78,048)
01-Jun-25	26,803,258	525,344	12,575		(217,117)	308,227	170,809	749,151				(302,376)	446,775	247,588	(138,548)	0.5542	(76,779)
01-Dec-25	26,803,258	525,344	12,575		(217,117)	308,227	168,031	749,151				(302,376)	446,775	243,562	(138,548)	0.5452	(75,530)
01-Jun-26	26,803,258	525,344	12,575		(217,117)	308,227	165,299	749,151				(302,376)	446,775	239,601	(138,548)	0.5363	(74,302)
01-Dec-26	26,803,258	525,344	12,575		(217,117)	308,227	162,610	749,151				(302,376)	446,775	235,704	(138,548)	0.5276	(73,094)
01-Jun-27	26,803,258	525,344	12,575		(217,117)	308,227	159,966	749,151				(302,376)	446,775	231,871	(138,548)	0.5190	(71,905)
01-Dec-27	26,803,258	525,344	12,575		(217,117)	308,227	157,364	749,151				(302,376)	446,775	228,100	(138,548)	0.5105	(70,736)
01-Jun-28	26,803,258	525,344	12,575		(217,117)	308,227	154,805	749,151				(302,376)	446,775	224,390	(138,548)	0.5022	(69,585)
01-Dec-28	26,803,258	525,344	12,575		(217,117)	308,227	152,287	749,151				(302,376)	446,775	220,741	(138,548)	0.4941	(68,454)
01-Jun-29	26,803,258	525,344	12,575		(217,117)	308,227	149,811	749,151				(302,376)	446,775	217,151	(138,548)	0.4860	(67,340)
01-Dec-29	26,803,258	525,344	12,575		(217,117)	308,227	147,374	749,151				(302,376)	446,775	213,619	(138,548)	0.4781	(66,245)
01-Jun-30	26,803,258	525,344	12,575		(217,117)	308,227	144,978	749,151				(302,376)	446,775	210,145	(138,548)	0.4704	(65,168)
01-Dec-30	26,803,258	525,344	12,575		(217,117)	308,227	142,620	749,151				(302,376)	446,775	206,728	(138,548)	0.4627	(64,108)
01-Jun-31	26,803,258	525,344	12,575		(217,117)	308,227	140,300	749,151				(302,376)	446,775	203,366	(138,548)	0.4552	(63,065)
01-Dec-31	26,803,258	525,344	12,575		(217,117)	308,227	138,019	749,151				(302,376)	446,775	200,058	(138,548)	0.4478	(62,040)
01-Jun-32	26,803,258	525,344	12,575		(217,117)	308,227	135,774	749,151				(302,376)	446,775	196,805	(138,548)	0.4405	(61,031)
01-Dec-32	26,803,258	525,344	12,575		(217,117)	308,227	133,566	749,151				(302,376)	446,775	193,604	(138,548)	0.4333	(60,038)
01-Jun-33	26,803,258	525,344	12,575		(217,117)	308,227	131,394	749,151				(302,376)	446,775	190,455	(138,548)	0.4263	(59,062)
01-Dec-33	26,803,258	525,344	12,575		(217,117)	308,227	129,257	749,151				(302,376)	446,775	187,358	(138,548)	0.4194	(58,101)
01-Jun-34	26,803,258	525,344	12,575		(217,117)	308,227	127,155	749,151				(302,376)	446,775	184,311	(138,548)	0.4125	(57,156)
01-Dec-34	26,803,258	525,344	12,575		(217,117)	308,227	125,087	749,151				(302,376)	446,775	181,314	(138,548)	0.4058	(56,227)
01-Jun-35	26,803,258	525,344	12,575		(217,117)	308,227	123,052	749,151				(302,376)	446,775	178,365	(138,548)	0.3992	(55,312)
01-Dec-35	26,803,258	525,344	12,575		(217,117)	308,227	121,051	749,151				(302,376)	446,775	175,464	(138,548)	0.3927	(54,413)
01-Jun-36	26,803,258	525,344	12,575		(217,117)	308,227	119,083	749,151				(302,376)	446,775	172,610	(138,548)	0.3863	(53,528)
01-Dec-36	26,803,258	525,344	12,575		(217,117)	308,227	117,146	749,151				(302,376)	446,775	169,803	(138,548)	0.3801	(52,657)
01-Jun-37	26,803,258	525,344	12,575		(217,117)	308,227	115,241	749,151				(302,376)	446,775	167,042	(138,548)	0.3739	(51,801)
TOTAL		$31,520,631	$754,473	$0	($13,027,039)	$18,493,593		$44,949,064	$0	$0	$0	($18,142,566)	$26,806,498		($8,312,905)		($5,247,238)
NPV							11,673,450							16,920,688			

(1) Debt Amortization Expense includes issuing costs of new series
(2) Tax calculation based on interest expense and the amortization of new issue debt expense
(3) Issuance expense for Fidelia loans are relatively immaterial (Less than $50,000)

Exhibit 4
Page 3 of 4

Assumptions

Kentucky Utilities $26.8MM
Comparison: Tax Exempt Synthetic Fixed vs. Taxable Fixed at Fidelia
Assumptions

Tax Exempt Bond				
	3.920%	$	26,803,258	Matures July 1, 2037
Unamortized Debt Expense				
Remaining amortization period			$754,473	At July 1, 2007
From July 1, 2007 to Maturity			360.0	months
Assuming a 30 Year Extension			360.0	months
Redemption (Call) Price			0%	
Amount of Premium			$0	
Cost of Funds (Lost Investment Earnings)	5.00%			
Taxable Fidelia Loan	5.590%	$	26,803,258	Matures July 1, 2037

Bond Issue Costs			2.81%
Underwriting		0.35%	
Bond Counsel	$	80,000.00	0.30%
Company Counse	$	70,000.00	0.26%
Underwriters Cou	$	41,341.84	0.15%
Insurance	$	375,533.75	1.40%
Ratings	$	40,000.00	0.15%
Printing	$	4,785.61	0.02%
Trustee Counsel	$	3,000.00	0.01%
Accountants	$	40,000.00	0.15%
Trustee	$	6,000.00	0.02%
FMB Trustee	$	-	0.00%
AMT			0.00%
Issuance costs			2.46%

Insurance Premium Calculation	
Par	26,803,258
RBI Coupon	4.65%
Annual	1,246,351
30 Years	37,390,545
Total Debt Serv.	64,193,803
Premium Rate	0.59%
Premium	375,534

Remarketing Expens (O&M Expense) 67,008

MISCELLANEOUS

Tax rate	40.363%	0
Discount rate	3.33%	

RESOLUTION NO. 2005-0222

A RESOLUTION OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AUTHORIZING THE EXECUTION OF A MEMORANDUM OF AGREEMENT BY AND BETWEEN THE COUNTY AND KENTUCKY UTILITIES COMPANY, A KENTUCKY CORPORATION, RELATING TO THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION AND EQUIPPING OF CERTAIN SOLID WASTE RECYCLING AND DISPOSAL FACILITIES IN THE COUNTY; AGREEING TO UNDERTAKE THE ISSUANCE OF REVENUE BONDS AT THE APPROPRIATE TIME TO PAY THE COSTS OF ACQUIRING, CONSTRUCTING, RECONSTRUCTING AND EQUIPPING SAID FACILITIES; AND TAKING OTHER PRELIMINARY ACTIONS.

WHEREAS, Kentucky Utilities Company (the "Company"), is a regulated public utility providing electric service to the general public and the Company owns and operates various electrical generating facilities, including the Ghent Generating Station, in Carroll County, Kentucky (the "County"); and in furtherance of the purpose of collecting, storing, treating, processing, recycling and disposing of solid wastes, and to comply with federal and state environmental regulations, it is essential and necessary that the Company design, acquire and construct additional solid waste disposal facilities relating to flue gas desulphurization to serve the Ghent Generating Station, including among other things, solid waste recycling and related facilities, including forced oxidation reaction processes for recycling purposes, for the treatment, processing, recycling and final disposition of solid wastes produced by the operation of such sulphur dioxide removal facilities at the Ghent Generating Station (collectively, the "Project"); and

WHEREAS, as the Company derives substantially all of its income and revenues from electric user rates and charges which are paid by the general public and any reduction in the costs to the Company of borrowing moneys for acquisition and construction of the Project will inure directly to the benefit of said electric consumers, including citizens of Carroll County, Kentucky; and

WHEREAS, the County is authorized by KRS Sections 103.200 to 103.285, inclusive (the "Act") to issue its revenue bonds for the purpose of defraying the costs of constructing and acquiring the Project; discussions have occurred between the Company and the County incident to the issuance of one or more series of revenue bonds by the County for such purpose; the County has agreed with the Company to issue one or more series of such bonds upon compliance by the Company with certain conditions, requirements and obligations, and subject to the approval of the County of the terms of all agreements, ordinances and other documents required incident to said bond issues; and the County has authorized the Company to proceed with the construction and acquisition of the Project, subject to reimbursement of the costs of the Project from the proceeds of such bonds, as, if and when issued; and

WHEREAS, based upon an estimate of the costs of the Project, the County proposes to issue its revenue bonds in one or more series in the estimated amount of $30,000,000 (the "Bonds"), such Bonds to be sold and delivered by the County to pay the costs of the Project, together with costs incident to the authorization, sale and issuance of the Bonds; and

WHEREAS, the County proposes to enter into at the appropriate time a loan agreement or other financing agreement with the Company with respect to the Project, whereby the Company will covenant and agree to pay amounts sufficient to provide for the payment of principal of, premium, if any, and interest on the Bonds, together with all trustee's and paying agent's fees in connection with the Bonds as the same become due and payable; and

WHEREAS, it is deemed necessary and advisable that a Memorandum of Agreement between the County and the Company be executed setting forth the preliminary agreements of the parties with respect to the construction and acquisition of the Project, the issuance of one or more series of the Bonds to defray the costs thereof and the payments to be made by the Company with respect to the Bonds and the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AS FOLLOWS:

Section 1. It is hereby found, determined and declared that (i) the recitals set forth in the preambles to this Resolution, which are incorporated in this Section by reference, are true and correct; (ii) the total amount of money necessary to be provided by the County for the construction and acquisition of the Project to be financed by the Bonds will be approximately $30,000,000; (iii) the Company has represented that it has sufficient financial resources to construct and acquire the Project and to place it in operation and to continue to operate, maintain and insure the Project throughout the term of the Bond issue, meeting when due the obligations of the proposed financing agreement; and (iv) sufficient safeguards will be provided by the financing agreement to insure that all money provided by the County from the proceeds of the sale of the Bonds will be expended by way of direct expenditure or reimbursement, solely and only for the purposes of the Project. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

Section 2. It is hereby found, determined and declared that the cost of constructing and acquiring the Project will be paid out of the proceeds of one or more series of Bonds and such contributions of the Company as may be necessary to complete the Project, as such Project is defined in the loan or other financing agreement to be executed by and between the County and the Company at the appropriate time pursuant to the Act; that none of the Bonds will be general obligations of the County; that neither the Bonds nor the interest thereon shall constitute or give rise to any indebtedness of the County or any charge against its general credit or taxing power, but that the Bonds and the payment of interest thereon shall be secured and payable solely and only by a pledge of amounts to be paid by the Company under such loan or other financing agreement; and that no part of said costs will be payable out of any general funds, revenues, assets, properties or other contributions of the County.

Section 3. In order to induce the construction and acquisition of the Project in the County with the resultant public benefits which will flow therefrom, it is deemed necessary and advisable that the Memorandum of Agreement hereinafter referred to be approved and executed for and on behalf of the County. Accordingly, the Memorandum of Agreement by and between the Company and the County attached hereto as Exhibit No. 1 is hereby approved and the County Judge/Executive is hereby authorized and directed to execute and deliver said Memorandum of Agreement, and the Fiscal Court Clerk is hereby authorized and directed to attest same.

Section 4. Because the Project will be undertaken, constructed and acquired for the purpose of conforming to the requirements of the Company, and inasmuch as the Company requires for its operations the construction and acquisition of Project facilities which it is particularly and peculiarly equipped to plan and acquire and the Company possesses more expertise in such matters, it is hereby found, determined and declared that construction and acquisition of the Project should be undertaken or caused to be undertaken by the Company. Accordingly, the Company is hereby authorized to formulate and develop plans for the construction and acquisition of the Project, in whole or in part, and to enter into such contracts and undertakings as may be required for the construction and acquisition of the Project, in whole or in part. Reimbursements made to the Company after the receipt of the proceeds of the sale of each series of Bonds by the County shall be subject to approval or certification by a qualified person to be designated by the Company as specified in the loan or other financing agreement to be entered into by the County and the Company at the appropriate time pursuant to the Act.

<u>Section 5.</u> No County funds shall be expended on the Project, except such as are derived from Bond proceeds.

<u>Section 6.</u> In adopting this Resolution, it is intended by the Fiscal Court of the County that this Resolution constitute the declaration of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the Issuer within the meaning of Federal Income Tax Regulations Section 1.150-2.

<u>Section 7.</u> To the extent any resolution, ordinance or part thereof is in conflict herewith, the provisions of this Resolution shall prevail and be given effect.

<u>Section 8.</u> This Resolution shall be in full force and effect from and after its adoption as provided by law.

<u>INTRODUCED, SECONDED READ AND ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY</u>, held on the 22nd day of February, 2005, on the same occasion signed in open session by the County Judge/Executive as evidence of his approval, attested under seal by the Clerk of the Fiscal Court, ordered to be filed and recorded as required by law, and declared to be in full force and effect according to law.

Harold Tomlinson
HAROLD TOMLINSON
County Judge/Executive

(SEAL)

ATTEST:

Nicki Beckham
Fiscal Court Clerk

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the Fiscal Court of the County of Carroll, Kentucky, and as such Clerk I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the Fiscal Court of said County at a duly convened meeting held on February 22, 2005, on the same occasion signed by the County Judge/Executive, duly filed, recorded and indexed in my office (pursuant to KRS 67.120(2)) and now in force and effect, and that all action taken in connection with such Resolution was in compliance with the requirements of KRS 61.810 through 61.825, all as appears from the official records of said Fiscal Court in my possession and under my control.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said County this 22nd day of February, 2005.

(SEAL)

Nicki Beckham
Fiscal Court Clerk

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT, made and entered into this 22nd day of February, 2005, by and between the COUNTY OF CARROLL, KENTUCKY (the "County"), a de jure county and political subdivision of the Commonwealth of Kentucky and KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation (the "Company").

1. Recitals.

(a) The Company is a public utility pursuant to Chapter 278 of the Kentucky Revised Statutes, and is engaged in the business of generating electricity and providing electric service to the public at large. The Company owns and operates major electrical generating facilities in Carroll County, Kentucky, including the Ghent Generating Station, which facilities involve the combustion of coal, oil and natural gas. The Company's generating operations produce sulphur dioxide emissions and other atmospheric pollutants and contaminants, which the Company must abate, control, contain, neutralize and reduce in order that the Company may comply with applicable current Federal and State laws and regulations and continue to pursue its business as a public utility providing electrical service to the general public. In compliance with the law, the Company has previously constructed and acquired and must now construct and acquire additional major sulphur dioxide removal facilities with respect to generating units 2, 3 and 4 of the Ghent Generating Station to control sulphur dioxide emissions and for the collection, recycling, treatment and ultimate disposition of solid wastes. The operation of the Company's sulphur dioxide removal facilities and precipitators, which benefit the public, and other plant operations, produce substantial quantities of solid wastes, which the Company must collect, store, treat, process, recycle and dispose of, in order that the Company may continue to pursue its business as a regulated public utility and continue to provide service to the public.

(b) In order to efficiently treat, recycle and dispose of such solid wastes, the Company, based upon extensive study and analysis, has formulated a plan for the design, construction, reconstruction, treatment, processing, recycling and final disposition of solid wastes, as described, including forced air oxidation and recycling of solid wastes. (collectively, the "Project").

(c) The Company has proceeded and is proceeding to develop final plans and designs for the acquisition, construction and installation of the solid waste disposal and recycling facilities constituting the Project, including inter alia, such necessary new sulphur dioxide removal facilities and any necessary reconstruction and modification of the existing solid waste disposal facilities serving the Ghent Generating Station. The Company estimates that acquisition, construction and installation of the Project will require the expenditure of Company moneys and funds aggregating approximately $30,000,000. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

(d) As the Company is a public utility, depending upon the imposition and collection of electric user rates and charges for revenues adequate to operate its facilities, amortize its debts, and provide a reasonable return on capital, and as such electric user rates and charges are collected from all users of such services, it is in the best interests of the general public who bear the burden of such electric user rates and charges that the interest costs to the Company in respect of borrowing funds necessary for construction and acquisition of the Project be fixed at the lowest possible level. It has been determined that the financing of the Project in whole or in part by the issuance of solid waste disposal revenue bonds by the County pursuant to KRS Sections 103.200 to 103.285, inclusive, will result in reduction in the interest costs attending the borrowing of money for construction and acquisition of the Project, with resulting public benefits. Therefore, the Company has requested that the County issue its environmental bonds pursuant to KRS Sections 103.200 to 103.285, inclusive (the "Bonds") to provide funds to construct and acquire the Project, as herein described, or any portion or portions thereof, and the County has agreed to issue the Bonds for the financing of the Project or any portion or portions thereof. The Bonds may be issued, as requested by the Company, for the entire Project or any portion or portions thereof.

(e) The Company covenants and represents that upon the occasion of each issuance of Bonds pursuant hereto, the issuance of such Bonds will be legal and proper under the statutory laws of Kentucky and the Internal Revenue Code of 1986, as amended, or any successor Code.

(f) The County is authorized by KRS 103.200 to 103.285, inclusive (the "Act"), to issue the Bonds and use the proceeds thereof to finance the costs of construction and acquisition of the Project. The Fiscal Court of the County has found and determined that the Project will accomplish the public purposes of the Act. The County considers that causing the construction and acquisition of the Project for the Company will promote the abatement, control, containment, neutralization, recycling, reduction and disposal of solid wastes within the County, will improve and enhance the environment and benefit the general public, will lower the Company's ultimate costs in respect of the Project, will in turn consequently reduce the costs of the Project to the public, which must ultimately bear such costs in the form of electric user rates and charges, and will thereby promote the general welfare of the inhabitants of Carroll County, Kentucky.

(g) The County proposes to issue the Bonds in one or more series to finance the cost of the Project and desires to authorize the Company to proceed with the Project and be reimbursed out of the proceeds of the Bonds for any costs of the Project incurred prior to the issuance of the Bonds.

(h) The County proposes to enter into, as lender, a loan agreement or other financing agreement (the "Agreement") with the Company, as borrower, relating to the Project and the Bonds, whereby the Company will agree to make payments sufficient to provide for the payment of the principal of and premium, if any, and interest on the Bonds and all other costs of the County incurred in connection with the Bonds and the Project.

2. Representations and Undertakings of the Company. The Company represents, undertakes, covenants and agrees as follows:

(a) The Company intends to use the Project or cause it to be used at all times during the term of the Agreement or the sooner termination of the Agreement for the public purposes hereinbefore indicated and recited;

(b) The Company will cause contracts to be entered into for, or will otherwise provide for, the construction and acquisition of the Project;

(c) Prior to or contemporaneously with the delivery of any series of Bonds, the Company will enter into the Agreement with the County under the terms of which the Company will obligate itself to undertake and complete the construction and acquisition of the Project and to pay to the County amounts sufficient in the aggregate to pay the principal of, interest on, and premium, if any, on the Bonds, as and when the Bonds shall become due and payable, such Agreement to contain such other provisions as shall be agreed upon by the County and the Company;

(d) The Company will protect and hold harmless the County, all members of the Fiscal Court of the County and all the County's officers, employees and agents from all expense and liability arising from or in connection with the Project and the Bonds; and

(e) The Company will take such further actions and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in connection therewith.

3. <u>Undertakings of the County</u>. Subject to the fulfillment of the several conditions herein stated, the County agrees as follows:

(a) It will from time to time authorize or cause to be authorized the issuance and sale of one or more series of Bonds pursuant to the terms of the Act as then in force in an aggregate principal amount approximating $30,000,000;

(b) It will adopt or cause to be adopted such proceedings and authorize the execution of such documents as may be necessary or acceptable to effect (i) the authorization, issuance and sale of the Bonds upon a negotiated basis to an entity or entities to be designated by the Company, (ii) the construction and acquisition of the Project, and (iii) the Agreement relating to the Project and the Bonds, all as shall be authorized by law and upon terms which must be mutually satisfactory to the County and the Company;

(c) The aggregate payments stipulated under the Agreement shall be sufficient (in addition to the covenants of the Company to properly maintain and insure the Project) to pay the principal of, interest on and premium, if any, on all series of Bonds as and when the same become due and payable; and

(d) It will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings as it may deem appropriate.

4. General Provisions.

(a) All commitments of the County and the Company pursuant to this Memorandum of Agreement are subject to the condition that on or before three years from the date hereof (or such other later date as shall be mutually satisfactory to the County and the Company) the County and the Company shall have agreed to mutually acceptable terms and conditions with respect to the Agreement and all other documents required in connection with the initial series of Bonds.

(b) If the events set forth in (a) of this paragraph do not take place within the time set forth, or any agreed extension thereof, and the initial series of Bonds are not issued within such time, all obligations of the County hereunder shall thereupon terminate upon written notice thereof by the County to the Company.

(c) This Memorandum of Agreement and the Resolution approving this Memorandum of Agreement constitute the present intent of the County to issue the aforementioned Bonds at a later date. In executing and delivering this Memorandum of Agreement, it is intended by the Company and the County the Issuer that this Memorandum of Agreement and the County's related Resolution constitute declarations of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the County within the meaning of Federal Income Tax Regulations Section 1.150-2.

(the remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement by their officers thereunto, in accordance with the laws of Kentucky and Section 1.150-2 of the Code and Treasury Regulations thereunder, being duly authorized on the day and year first above written.

COUNTY OF CARROLL, KENTUCKY

(SEAL)

By Harold Tomlinson
HAROLD TOMLINSON
County Judge/Executive

ATTEST:

Nicki Beckham
Fiscal Court Clerk

KENTUCKY UTILITIES COMPANY

(SEAL)

By Daniel K. Arbough
DANIEL K. ARBOUGH
Treasurer

MEMORANDUM OF AGREEMENT

BY AND BETWEEN

THE COUNTY OF CARROLL, KENTUCKY

AND

KENTUCKY UTILITIES COMPANY

GHENT GENERATING STATION

The Project includes components, systems and projects for the collection, storage, treatment, processing, recycling or final disposal of solid wastes. The Project facilities are located or will be located at one or both of the Company's Ghent Generating Station in Carroll County, Kentucky and may include, but are not limited to:

1. Facilities for the processing and recycling of waste calcium sulfite byproducts from flue gas desulfurization into calcium sulfate for use as gypsum. The Project facilities include complete new flue gas desulphurization facilities to serve generating stations 2, 3 and 4, including, among other things, the necessary SO_2 absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, dewatering system improvements, conveyors and related facilities, related mechanical and electrical auxiliaries, tanks, associated site improvements and related structures.

2. Solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, landfill expansion and other industrial solid waste collection, processing and disposal facilities.

3. Project facilities which are functionally related and subordinate to proposed new and existing solid waste and sewage facilities.

4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste or related sewage, which because of changes in technology, cost, solid waste and sewage plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.

RESOLUTION NO. 2006-0124

A RESOLUTION OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY AMENDING CERTAIN PROVISIONS OF THE COUNTY'S RESOLUTION NO. 2005-0222 AND THE MEMORANDUM OF AGREEMENT ADOPTED BY RESOLUTION NO. 2005-0222 FOR THE PURPOSE OF INCREASING THE PRINCIPAL AMOUNT OF ENVIRONMENTAL FACILITIES REVENUE BONDS WHICH MAY BE ISSUED BY THE COUNTY OF CARROLL, KENTUCKY FOR THE BENEFIT OF KENTUCKY UTILITIES COMPANY FOR THE PURPOSE OF CONSTRUCTING SOLID WASTE DISPOSAL FACILITIES TO SERVE GHENT GENERATION STATION, UNITS 2, 3 AND 4 FROM $30,000,000 TO $100,000,000; CONFIRMING AND CONTINUING ALL OTHER PROVISIONS OF RESOLUTION NO. 2005-0222 AND SAID MEMORANDUM OF AGREEMENT AND TAKING OTHER ACTIONS.

WHEREAS, on February 22, 2005, the Fiscal Court of Carroll County, Kentucky adopted Resolution No. 2005-0222, authorizing the County to issue Environmental Facilities Revenue Bonds (the "Bonds") for the benefit of Kentucky Utilities Company up to a principal amount of $30,000,000; and

WHEREAS, such previously authorized amount of Bonds will be inadequate for the purpose of constructing the necessary solid waste disposal facilities to serve the Ghent Generating Station, Units 2, 3, and 4 for Kentucky Utilities Company (the "Company") and it is necessary that Resolution No. 2005-0222 be modified and amended in order to increase the authorization and issuance of Bonds up to a principal amount of $100,000,000, in order to accomplish the funding of the necessary solid waste disposal facilities, the construction of which will provide benefits to the County and its inhabitants and which Bonds will be payable solely and only by loan payments to be made by the Company;

NOW THEREFORE BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY AS FOLLOWS:

Section 1. The statements of fact set forth in the preambles to this Resolution are hereby declared to be true and correct in their entirety and the same are incorporated by reference as a part of this Resolution.

Section 2. Resolution No. 2005-0222 is hereby modified and amended to provide that Environmental Facilities Revenue Bonds up to the increased amount of $100,000,000 may be authorized and issued by the County for the purpose of financing the Project, as defined and described in Resolution No. 2005-0222 and the Memorandum of Agreement, hereinafter defined.

Section 3. All references contained in Resolution No. 2005-0222 to Bonds in the principal amount of $30,000,000 are hereby modified and amended to substitute the increased sum of $100,000,000 in lieu of $30,000,000. Such modifications and amendments include, but are not limited to, the references set forth in Resolution No. 2005-0222 in (i) the fourth preamble thereof and (ii) Section 1 thereof. Additionally, references in Exhibit No. 1 to Resolution No. 2005-0222, being the Memorandum of Agreement dated February 22, 2005 between the County and the Company (the "Memorandum of Agreement") in (i) recital (c) thereof and (ii) Section 3(a) thereof are modified and amended to change the sum of $30,000,000 to the increased sum of $100,000,000.

Section 4. Except as modified and amended by this Resolution, the provisions of Resolution No. 2005-0222 and the Memorandum of Agreement, attached to Resolution No. 2005-0222, as Exhibit No. 1 shall be and remain in full force and effect.

Section 5. To the extent any resolution, ordinance or part thereof (except as modified and amended hereby) is in conflict with this Resolution, the provisions of this Resolution shall govern and prevail and shall be given full force and effect.

Section 6. This Resolution shall be full force and effect from and after its adoption as provided by law.

ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY HELD ON THE 24TH DAY OF JANUARY, 2006.

CARROLL COUNTY, KENTUCKY

(SEAL)

By Harold "Shorty" Tomlinson
HAROLD TOMLINSON
County Judge/Executive

ATTEST:

Traci Courtney
Fiscal Court Clerk

CERTIFICATION

The undersigned, Fiscal Court Clerk of the County of Carroll, Kentucky, does hereby certify that the foregoing is a true copy of a Resolution duly adopted by the Fiscal Court of the County of Carroll, Kentucky at a duly convened meeting of such Fiscal Court properly held on the 24th day of January, 2006, duly enrolled and now in full force and effect, as shown by the official records of the County in my custody and under my control.

WITNESS my hand and seal of said County this 24th day of January, 2006.

(SEAL)

Traci Courtney
Fiscal Court Clerk

RESOLUTION

A RESOLUTION OF THE FISCAL COURT OF THE COUNTY OF TRIMBLE, KENTUCKY, AUTHORIZING THE EXECUTION OF A MEMORANDUM OF AGREEMENT BY AND AMONG THE COUNTY, LOUISVILLE GAS AND ELECTRIC COMPANY, A KENTUCKY CORPORATION, AND KENTUCKY UTILITIES COMPANY, A KENTUCKY AND VIRGINIA CORPORATION, RELATING TO THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF CERTAIN SOLID WASTE DISPOSAL FACILITIES IN THE COUNTY; AGREEING TO UNDERTAKE THE ISSUANCE OF REVENUE BONDS AT THE APPROPRIATE TIME TO PAY THE COSTS OF ACQUIRING, CONSTRUCTING AND EQUIPPING SAID FACILITIES; AND TAKING OTHER PRELIMINARY ACTIONS.

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("LG&E"), and its affiliate, Kentucky Utilities Company, a Kentucky and Virginia corporation ("KU", and collectively with LG&E, the "Companies"), are both regulated public utility companies providing electric services to the general public in their respective service areas; and

WHEREAS, the Companies are in the process of acquiring and constructing a coal-fired steam electrical generating facility identified as Unit 2 ("Unit 2") of the Trimble County Generating Station (the "Station") situated in Trimble County, Kentucky (the "County"); and

WHEREAS, LG&E and KU together own a 75% undivided interest in Unit 2, as to which LG&E owns a 19% undivided interest and KU owns an 81% undivided interest; and

WHEREAS, the Project (hereinafter defined) in which each of the Companies own undivided interests as described in the foregoing preamble, consists of solid waste disposal facilities relating to solid wastes produced by operation of Unit 2, including such solid wastes as flyash and bottom ash created by operation of Unit 2 and scrubber sludge created by the operation of flue gas desulphurization facilities to be constructed for Unit 2 of the Station, including solid waste disposal facilities to collect, store, treat, process and dispose of (i) flyash generated by electrostatic precipitators, (ii) bottom ash produced by the combustion of coal and (iii) scrubber sludge produced by operation of flue gas desulphurization facilities, including forced oxidation process reaction processes for the purpose of collection, storage, treatment, processing and final disposition of solid wastes produced by operation of such sulphur dioxide removal facilities serving Unit 2 of the Station (collectively, the "Project"); and

WHEREAS, as the Companies derives substantially all of their respective income and revenues from electric user rates and charges which are paid by the general public and any reduction in the costs to the Companies of borrowing moneys for acquisition and construction of the Project will inure directly to the benefit of Kentucky electric consumers; and

WHEREAS, the County is authorized by KRS Sections 103.200 to 103.285, inclusive (the "Act") to issue its revenue bonds for the purpose of defraying the costs of constructing and acquiring the Project; discussions have occurred between each of the Companies and the County incident to the issuance of one or more series of revenue bonds by the County for such purpose; the County has agreed with each of the Companies to issue one or more series of such bonds for each Company individually upon compliance by each of the Companies with certain conditions, requirements and obligations, and subject to the approval of the County of the terms of all agreements, ordinances and other documents required incident to said bond issues; and the County has authorized the Companies to proceed with the construction and acquisition of the Project, subject to reimbursement of the costs of the Project from the proceeds of such bonds, as, if and when issued; and

WHEREAS, based upon an estimate of the costs of the Project, the County proposes from time to time to issue its revenue bonds for each of the Companies in one or more series for each Company individually in the estimated amount of $150,000,000 (the "Bonds"), such Bonds to be sold and delivered by the County on behalf of the individual Company on the occasion of each such issuance to pay the costs of the Project, together with costs incident to the authorization, sale and issuance of the Bonds; and

WHEREAS, the County proposes to enter into at the appropriate time loan agreements or other financing agreements with each Company individually with respect to the financing and construction of the Project, whereby the relevant Company will covenant and agree to pay amounts sufficient to provide for the payment of principal of, premium, if any, and interest on the relevant Bonds, together with all trustee's and paying agent's fees in connection with such Bonds as the same become due and payable; and

WHEREAS, it is deemed necessary and advisable that a Memorandum of Agreement between the County and the Companies be executed setting forth the preliminary agreements of the parties with respect to the construction and acquisition of the Project, the issuance of one or more series of the Bonds separately for each Company to defray the costs thereof and the payments to be made by each Company with respect to the Bonds issued for the respective Company and the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF TRIMBLE, KENTUCKY, AS FOLLOWS:

Section 1. It is hereby found, determined and declared that (i) the recitals set forth in the preambles to this Resolution, which are incorporated in this Section by reference, are true and correct; (ii) the total amount of money necessary to be provided by the County for the construction and acquisition of the Project to be financed by several series Bonds will be approximately $150,000,000; (iii) each Company has represented that it has sufficient financial resources to construct and acquire its described undivided interest in the Project and to place it in operation and to continue to operate, maintain and insure the Project throughout the term of the Bond issue, meeting when due the obligations of each proposed loan agreement or financing agreement; and (iv) sufficient safeguards will be provided by the loan agreement or financing agreement to insure that all money provided by the County from the proceeds of the sale of any Bonds will be expended by way of direct expenditure or reimbursement, solely and only for the purposes of the Project. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

Section 2. It is hereby found, determined and declared that the cost of constructing and acquiring the Project will be paid out of the proceeds of one or more series of Bonds and such allocable contributions of the Companies as may be necessary to complete the Project, as such Project is defined in the loan agreements or other financing agreements to be executed by and between the County and each Company at the appropriate time pursuant to the Act; that none of the Bonds will be general obligations of the County; that neither the Bonds nor the interest thereon shall constitute or give rise to any indebtedness of the County or any charge against its general credit or taxing power, but that the Bonds and the payment of interest thereon shall be secured and payable solely and only by a pledge of amounts to be paid by the respective Company under the related loan or other financing agreement; and that no part of said costs will be payable out of any general funds, revenues, assets, properties or other contributions of the County.

Section 3. In order to induce the construction and acquisition of the Project in the County with the resultant public benefits which will flow therefrom, it is deemed necessary and advisable that the Memorandum of Agreement hereinafter referred to be approved and executed for and on behalf of the County. Accordingly, the Memorandum of Agreement by and among each of the Companies and the County attached hereto as Exhibit No. 1 is hereby approved and the County Judge/Executive is hereby authorized and directed to execute and deliver said Memorandum of Agreement, and the Fiscal Court Clerk is hereby authorized and directed to attest same.

Section 4. Because the Project will be undertaken, constructed and acquired for the purpose of conforming to the requirements of each of the Companies, and inasmuch as each Company requires for its operations the construction and acquisition of Project facilities which it is particularly and peculiarly equipped to plan and acquire and each Company possesses more expertise in such matters, it is hereby found, determined and declared that construction and acquisition of the Project should be undertaken or caused to be undertaken by the Companies. Accordingly, the Companies are hereby authorized to formulate and develop plans for the construction and acquisition of the Project, in whole or in part, and to each enter into such contracts and undertakings as may be required for the construction and acquisition of the Project, in whole or in part. Reimbursements made to each Company after the receipt of the proceeds of the sale of each series of Bonds by the County shall be subject to approval or certification by a qualified person to be designated by each Company as specified in the loan or other financing agreement to be entered into by the County and each Company at the appropriate time pursuant to the Act.

Section 5. No County funds shall be expended on the Project, except such as are derived from Bond proceeds.

Section 6. In adopting this Resolution, it is intended by the Fiscal Court of the County that this Resolution constitute the declaration of intent to reimburse expenditures made by each Company on the Project from the proceeds of the Bonds of the Issuer within the meaning of Federal Income Tax Regulations Section 1.150-2.

Section 7. To the extent any resolution, ordinance or part thereof is in conflict herewith, the provisions of this Resolution shall prevail and be given effect.

Section 8. This Resolution shall be in full force and effect from and after its adoption as provided by law.

<u>INTRODUCED, SECONDED READ AND ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF TRIMBLE, KENTUCKY</u>, held on the 21st day of August, 2006, on the same occasion signed in open session by the County Judge/Executive as evidence of his approval, attested under seal by the Clerk of the Fiscal Court, ordered to be filed and recorded as required by law, and declared to be in full force and effect according to law.

(SEAL)

Randy K. Stevens

RANDY STEVENS
County Judge/Executive

ATTEST:

Susan Barnes

SUSAN BARNES
Fiscal Court Clerk

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the Fiscal Court of the County of Trimble, Kentucky, and as such Clerk I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the Fiscal Court of said County at a duly convened meeting held on August 21, 2006, on the same occasion signed by the County Judge/Executive, duly filed, recorded and indexed in my office (pursuant to KRS 67.120(2)) and now in force and effect, and that all action taken in connection with such Resolution was in compliance with the requirements of KRS 61.810 through 61.825, all as appears from the official records of said Fiscal Court in my possession and under my control.

<u>IN WITNESS WHEREOF</u>, I have hereunto set my hand and affixed the seal of said County this 21st day of August, 2006.

(SEAL)

Susan Barnes

SUSAN BARNES
Fiscal Court Clerk

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT made and entered into this 21st day of August, 2006, by and among the COUNTY OF TRIMBLE, KENTUCKY (the "County"), a de jure county and political subdivision of the Commonwealth of Kentucky, LOUISVILLE GAS AND ELECTRIC COMPANY, a Kentucky corporation ("LG&E"), and KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation ("KU").

1. Recitals.

(a) Each Company is a public utility pursuant to Chapter 278 of the Kentucky Revised Statutes, and is engaged in the business of generating electricity and providing electric service to the public at large. The Companies are undertaking the construction and acquisition of additional major electrical generating facilities in Trimble County, Kentucky, identified as the Unit 2 electric generating facility at the existing Trimble County Generating Station ("Unit 2"), which will be an undivided 75% ownership interest in Unit 2 of which KU will own an 81% undivided interest and LG&E will own an 19% undivided interest, the remaining 25% undivided ownership interest being owned by out-of-state governmental entities. Unit 2 will operate by the combustion of coal, oil and natural gas. Such electrical generating operations at Unit 2 will produce flyash, bottom ash and sulphur dioxide emissions and other atmospheric pollutants and contaminants, which the Companies must abate, control, contain, neutralize and abate in order to comply with applicable current Federal and State emission laws and regulations and continue to pursue their businesses as public utility companies providing electrical service to the general public. Accordingly, each of the Companies must now construct and acquire additional major sulphur dioxide removal facilities with respect to Unit 2 to control sulphur dioxide emissions and to collect, store, treat, process and dispose of solid wastes, including facilities to dispose of flyash, bottom ash and scrubber sludge produced by operation of the Unit 2 desulphurization facilities. The operation of the sulphur dioxide removal facilities and precipitators, which benefit the public, and other plant operations, produce substantial quantities of solid wastes, which each of the Companies, in their allocable shares, must cause to be collected, stored, treated, processed and disposed of.

(b) In order to efficiently collect, store, treat, process and dispose of such solid wastes, the Companies, based upon extensive study and analysis, have formulated plans for the design, construction, collection, storage, treatment, processing and final disposition of solid wastes (collectively, the "Project").

(c) Each Company has proceeded and is proceeding to develop final plans and designs for the acquisition, construction and installation of the solid waste disposal facilities constituting the Project, including inter alia, necessary new flyash and bottom ash collection and disposal facilities and facilities for the collection, storage, treatment, processing and disposal of scrubber solid waste sludge created by operation of required sulphur dioxide removal facilities at the Trimble County Station. Each Company estimates that acquisition, construction and installation of the Project will require the separate expenditure of moneys and funds of each

Company in aggregate amount of $150,000,000. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

(d) As each Company is a regulated public utility, depending upon the imposition and collection of electric user rates and charges for revenues adequate to operate its facilities, amortize its debts, and provide a reasonable return on capital, and as such electric user rates and charges are collected from all users of such services, it is in the best interests of the general public who bear the burden of such electric user rates and charges that the interest costs to each Company in respect of borrowing funds necessary for construction and acquisition of the Project be fixed at the lowest possible level. It has been determined that the financing of the Project in whole or in part by the issuance of solid waste disposal revenue bonds by the County pursuant to KRS Sections 103.200 to 103.285, inclusive, will result in reduction in the interest costs attending the borrowing of money for construction and acquisition of the Project, with resulting public benefits. Therefore, each Company has requested that the County issue its environmental facilities revenue bonds pursuant to KRS Sections 103.200 to 103.285, inclusive (the "Bonds") to provide each Company with funds to construct and acquire the Project, as herein described, or any portion or portions thereof, and the County has agreed to issue the Bonds for the financing of the Project or any portion or portions thereof. The Bonds shall be issued, as requested by each Company in one or more series, separately for each Company.

(e) Each Company severally covenants and represents that upon the occasion of each issuance of Bonds pursuant hereto, the issuance of such Bonds will be legal and proper under the statutory laws of Kentucky and the Internal Revenue Code of 1986, as amended, or any successor Code.

(f) The County is authorized by KRS 103.200 to 103.285, inclusive (the "Act"), to issue the Bonds and use the proceeds thereof to finance the costs of construction and acquisition of the Project. The Fiscal Court of the County has found and determined that the Project will accomplish the public purposes of the Act. The County considers that causing the construction and acquisition of the Project for the Companies will promote the abatement, control, containment, neutralization, reduction and disposal of solid wastes within the County, will improve and enhance the environment and benefit the general public, will lower the ultimate costs of each Company in respect of the Project, will in turn consequently reduce the costs of the Project to the public, which must ultimately bear such costs in the form of electric user rates and charges, and will thereby promote the general welfare of the inhabitants of the Commonwealth of Kentucky, including the County.

(g) The County proposes to issue the Bonds for each Company to finance the cost of the Project and desires to authorize each Company to proceed with the Project and be reimbursed out of the proceeds of the related Bonds for any costs of the Project incurred by a Company prior to the issuance of the Bonds.

(h) The County proposes from time to time to enter into, as lender, a loan agreement or other financing agreement (each, an "Agreement") with each Company, as borrower, relating to the Project and the Bonds, whereby the applicable Company will agree to make payments sufficient to provide for the payment of the principal of and premium, if any, and interest on the related Bonds and all other costs of the County incurred in connection with the related Bonds and the Project.

2. Representations and Undertakings of Each of the Companies. Each Company severally represents, undertakes, covenants and agrees as follows:

(a) Each Company intends to use the Project or cause it to be used at all times during the term of the Agreement or the sooner termination of the Agreement for the public purposes hereinbefore indicated and recited;

(b) Each Company will cause contracts to be entered into for, or will otherwise provide for, the construction and acquisition of the Project;

(c) Prior to or contemporaneously with the delivery of any series of Bonds, the particular Company will enter into an Agreement with the County under the terms of which such related Company will obligate itself to undertake and complete the construction and acquisition of the Project and to pay to the County amounts sufficient in the aggregate to pay the principal of, interest on, and premium, if any, on the related Bonds, as and when the related series of Bonds shall become due and payable, such Agreement to contain such other provisions as shall be agreed upon by the County and the related Company;

(d) Each Company will protect and hold harmless the County, all members of the Fiscal Court of the County and all the County's officers, employees and agents from all expense and liability arising from or in connection with the Project and each related issue of Bonds; and

(e) Each Company will take such further actions and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in connection therewith.

3. Undertakings of the County. Subject to the fulfillment of the several conditions herein stated, the County agrees as follows:

(a) It will from time to time authorize or cause to be authorized the issuance and sale of one or more series of Bonds pursuant to the terms of the Act as then in force in an aggregate principal amount approximating $150,000,000;

(b) It will adopt or cause to be adopted such proceedings and authorize the execution of such documents as may be necessary or acceptable to effect (i) the authorization, issuance and sale of the Bonds from time to time upon a negotiated basis to an entity or entities to be designated by the applicable Company, (ii) the construction and acquisition of the Project, and (iii) the loan agreement or other financing agreement relating to the Project and each issue of the Bonds, all as shall be authorized by law and upon terms which must be mutually satisfactory to the County and each of the Companies;

(c) The aggregate payments stipulated under each loan agreement or other financing agreement shall be sufficient (in addition to the covenants of the related Company to properly maintain and insure the Project) to pay the principal of, interest on and premium, if any, on the applicable series of Bonds as and when the same become due and payable; and (d). It will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings as it may deem appropriate.

4. General Provisions.

(a) All commitments of the County and each Company pursuant to this Memorandum of Agreement are subject to the condition that the County and each Company shall have agreed to mutually acceptable terms and conditions with respect to each Agreement or other financing agreement and all other documents required in connection with the particular series of Bonds.

(b) This Memorandum of Agreement and the Resolution approving this Memorandum of Agreement constitute the present intent of the County to issue the aforementioned Bonds from time to time at a later date. In executing and delivering this Memorandum of Agreement, it is intended by each of the Companies and the County that this Memorandum of Agreement and the County's related Resolution constitute declarations of intent to reimburse expenditures made by each of the Companies on the Project from the proceeds of the Bonds of the County within the meaning of Federal Income Tax Regulations Section 1.150-2.

(the remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement by their officers thereunto, in accordance with the laws of Kentucky and Section 1.150-2 of the Code and Treasury Regulations thereunder, being duly authorized on the day and year first above written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By [signature]
RANDY STEVENS
County Judge/Executive

ATTEST:

[signature: Susan Barnes]
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By [signature]
DANIEL K. ARBOUGH
Treasurer

KENTUCKY UTILITIES COMPANY

(SEAL)

By [signature]
DANIEL K. ARBOUGH
Treasurer

MEMORANDUM OF AGREEMENT

BY AND BETWEEN

THE COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

KENTUCKY UTILITIES COMPANY

TRIMBLE COUNTY GENERATING STATION, UNIT 2

The Project solid waste disposal facilities include components, systems and projects for the collection, storage, treatment, processing and/or final disposal of solid wastes produced by the Trimble County Generating Station, Unit 2. The Project facilities are located or will be located at or in proximity to the Company's Trimble Generating Station, Unit 2, in Trimble County, Kentucky and will include, but are not limited to:

1. Scrubber sludge processing and disposal facilities to collect, treat and dispose of scrubber solid wastes. Operation of flue gas desulphurization facilities produces solid waste sludges composed of impure calcium sulfite and sulfate. These solid waste products are collected, stabilized and then conveyed by slurry lines to solid waste disposal landfills. Facilities include the processing of waste calcium sulfite byproducts from flue gas desulfurization into impure calcium sulfite and sulfate for disposal. The Project facilities include among other things, the necessary SO_2 absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, conveyors, slurry lines and related facilities, including related mechanical and electrical auxiliaries, tanks, associated site improvements, solid waste landfills and ponds and related structures and facilities.

2. Bottom ash and flyash collection and disposal facilities. Additional solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, possible landfill expansion and other solid waste collection, processing and disposal facilities will be required. These facilities may in final design, include vacuum or water sluce conveyances for sending flyash, a solid waste, collected by electrostatic precipitators to holding silos and waste disposal ash ponds, which receive flyash and bottom ash. Bottom ash from the Unit 2 generator may be removed to a holding facility by drag chain mechanisms for hauling to landfill solid waste ponds. A new ash pond will be constructed in the future.

3. Project facilities which are functionally related and subordinate to the proposed new and existing solid waste facilities.

4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste, which, because of changes in technology, cost, solid waste plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT

December 31, 2006

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.
5,300,000 shares of Cumulative Preferred Stock, without par value.

(2) Amount and kinds of stock issued and outstanding.

Common Stock:
37,817,878 shares issued and outstanding.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

None

(4) Brief description of each mortgage on property of Petitioner, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

Mortgage indenture dated May 1, 1947, executed by and between the Company and U.S. Bank National Association (the "Trustee") and Richard Prokosch, as trustees and amended by the several indentures supplemental thereto. As of December 31, 2006, the amount of indebtedness secured thereby was $358,951,140. The indenture does not fix an overall limitation on the aggregate principal amount of bonds of all series that may be issued or outstanding thereunder.

(5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last fiscal year.

First Mortgage Bonds authorized and issued by Kentucky Utilities Company at December 31, 2006, secured by a first mortgage lien, subject only to permitted encumbrances, on all or substantially all the permanent fixed properties, other than excluded property, owned by the Company:

Series	Date of Issue	Date of Maturity	Rate of Interest	Principal Amount: Authorized	Principal Amount: Outstanding at December 31, 2006	Interest Expense Year Ended December 31, 2006
P	05/15/92	05/15/07	7.92%	$ 53,000,000	$ 53,000,000	$ 4,197,600
S	01/15/96	01/15/06	5.99%	36,000,000	-	89,850
Pollution Control Bonds						
10	11/01/94	11/01/24	Variable	54,000,000	54,000,000	1,927,948
11	05/01/00	05/01/23	Variable	12,900,000	12,900,000	457,991
12	02/01/02	02/01/32	Variable	20,930,000	20,930,000	740,842
13	02/01/02	02/01/32	Variable	2,400,000	2,400,000	84,951
14	02/01/02	02/01/32	Variable	7,200,000	2,400,000	84,951
15	02/01/02	02/01/32	Variable	7,400,000	7,400,000	261,932
16	07/01/02	10/01/32	Variable	96,000,000	96,000,000	3,426,467
17	10/01/04	10/01/34	Variable	50,000,000	50,000,000	1,750,358
18	07/07/05	06/01/35	Variable	13,266,950	13,266,950	463,029
19	11/17/05	06/01/35	Variable	13,266,950	13,266,950	461,548
20	07/20/06	06/01/36	Variable	16,693,620	16,693,620	279,801
21	12/07/06	06/01/36	Variable	16,693,620	16,693,620	42,893
					358,951,140	14,270,161
Interest rate swap						(347,623)
Long term debt mark to market					433,540	(927,652)
Total					$ 359,384,680	$ 12,994,886

(6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest during the last 12-month period.

Payee	Date of Issue	Amount	Rate of Interest	Date of Maturity	Interest Expense Year Ended December 31, 2006
Fidelia Corp.	04/30/03	100,000,000	4.55%	04/30/13	4,550,000
Fidelia Corp.	08/15/03	75,000,000	5.31%	08/15/13	3,982,500
Fidelia Corp.	11/24/03	33,000,000	4.24%	11/24/10	1,399,200
Fidelia Corp.	01/15/04	50,000,000	4.39%	01/16/12	2,195,000
Fidelia Corp.	07/08/05	50,000,000	4.735%	07/08/15	2,367,500
Fidelia Corp.	12/19/05	75,000,000	5.36%	12/21/15	4,008,833
Fidelia Corp.	06/23/06	50,000,000	6.33%	06/23/36	1,652,833
Fidelia Corp.	10/25/06	50,000,000	5.675%	10/25/16	520,208

(7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

(8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid. (1)

Dividends on Common Stock, without par value

2002	-
2003	-
2004	63,000,000
2005	50,000,000
2006	-

(1) As of May 1998, the 37,817,878 shares are all owned by E.ON U.S. LLC and all dividends declared by KU's Board of Directors are paid to E.ON U.S. LLC.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in the previous four fiscal years prior to 2006, the Company declared and paid dividends of $1.1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, $100 stated value, for a total of $ 237,500 per quarter. On an annual basis the dividend amounted to $4.75 per share, or $950,000. This series of preferred stock was redeemed on October 24, 2005.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in the previous four fiscal years prior to 2006, the Company declared and paid dividends of $1.6325 per share on the 200,000 outstanding shares of 6.53% Cumulative Preferred Stock, $100 stated value, for a total of $326,500 per quarter. On an annual basis the dividend amounted to $6.53 per share, or $1,306,000. This series of preferred stock was redeemed on October 24, 2005.

(9) Detailed Income Statement and Balance Sheet

Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending December 31, 2006.

KENTUCKY UTILITIES COMPANY

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending December 31, 2006.

The information presented is as of December 31, 2006 - the most recent date for which financial information is currently available. On February 23, 2007, acting in accordance with authority granted by the Authority in Docket No. 06-00235, KU restructured its external debt and obtained the release of the lien under the 1947 Indenture, which had collateralized all of KU's first mortgage and pollution control debt. KU's external debt is no longer secured. As part of this restructure, KU also refinanced the Series P First Mortgage Bonds, and the Series 10 Pollution Control Bonds."

Kentucky Utilities Company
Statements of Income
(Millions of $)

	Years Ended December 31 2006	2005
OPERATING REVENUES:		
Total operating revenues	$1,210	$1,207
OPERATING EXPENSES:		
Fuel for electric generation	424	384
Power purchased	182	219
Other operation and maintenance expenses	254	287
Depreciation and amortization	115	115
Total operating expenses	975	1,005
Net operating income	235	202
Equity earnings in EEI	(29)	(2)
Other income – net	(1)	(3)
Interest expense	15	15
Interest expense to affiliated companies	24	16
Income before income taxes	226	176
Federal and state income taxes	74	64
Net income	$ 152	$ 112

Statements of Retained Earnings
(Millions of $)

	Years Ended December 31 2006	2005
Balance January 1	$ 718	$ 659
Add net income	152	112
	870	771
Deduct: Cash dividends declared on stock and other:		
4.75% cumulative preferred	-	1
6.53% cumulative preferred	-	1
Common	-	50
Call premium and expenses	-	1
	-	53
Balance December 31	$ 870	$ 718

Kentucky Utilities Company
Balance Sheets
(Millions of $)

	December 31 2006	December 31 2005
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 6	$ 7
Restricted cash	23	22
Accounts receivable-less reserve of $2 million in 2006 and $1 million in 2005	123	135
Accounts receivable from affiliated companies	50	32
Materials and supplies :		
Fuel (predominantly coal)	64	55
Other materials and supplies	34	32
Prepayments and other current assets	13	5
Total current assets	313	288
Other property and investments	25	23
Utility plant, at original cost	3,681	3,650
Less: reserve for depreciation	1,553	1,508
Total utility plant, net	2,128	2,142
Construction work in progress	487	197
Total utility plant and construction work in progress	2,615	2,339
Deferred debits and other assets:		
Regulatory assets :		
Pension and postretirement benefits	64	-
Other	83	58
Cash surrender value of key man life insurance	35	32
Intangible pension asset	-	8
Other assets	8	8
Total deferred debits and other assets	190	106
Total Assets	$3,143	$2,756

Kentucky Utilities Company
Balance Sheets (continued)
(Millions of $)

	December 31	
	2006	2005
LIABILITIES AND EQUITY:		
Current liabilities:		
Current portion of long-term debt	$ 141	$ 123
Notes payable to affiliated companies	97	70
Accounts payable	83	89
Accounts payable to affiliated companies	87	57
Accrued income taxes	-	13
Customer deposits	19	17
Other current liabilities	23	14
Total current liabilities	450	383
Long-term debt:		
Long-term bonds	219	240
Long-term notes to affiliated company	483	383
Total long-term debt	702	623
Deferred credits and other liabilities:		
Accumulated deferred income taxes	284	274
Accumulated provision for pensions and related benefits	126	92
Asset retirement obligations	28	27
Regulatory liabilities :		
Accumulated cost of removal of utility plant	297	281
Regulatory liability deferred income taxes	27	23
Other regulatory liabilities	6	11
Other liabilities	30	20
Total deferred credits and other liabilities	798	728
Commitments and contingencies		
COMMON EQUITY:		
Common stock, without par value -		
Authorized 80,000,000 shares, outstanding 37,817,878 shares	308	308
Additional paid-in-capital	15	15
Accumulated other comprehensive income	-	(19)
Retained earnings	854	704
Undistributed subsidiary earnings	16	14
Total retained earnings	870	718
Total common equity	1,193	1,022
Total Liabilities and Equity	$3,143	$2,756

KENTUCKY UTILITIES COMPANY

The Petitioner's Indenture of Mortgage or Deed of Trust dated May 1, 1947, as heretofore amended, securing Petitioner's outstanding First Mortgage Bonds has heretofore been filed with the Authority. The most recent Supplemental Indenture, dated November 1, 2006, is on file with the Kentucky Public Service Commission in Case No. 2006-00390 (In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issue of Securities) and is available to the Authority upon request. As noted above, on February 23, 2007, Petitioner restructured it external debt, and eliminated the lien of the 1947 Indenture. Hence, the 1947 Indenture will not be involved in the debt which is the subject of this Petition, or with similar debt in the future."